

## Message Text

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ORIGIN EB-07

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FM SECSTATE WASHDC

TO AMEMBASSY LISBON

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E.O. 11652:N/A

TAGS: EAIR, PO

SUBJECT: CIVAIR NEGOTIATIONS: TAP NONAFFINITY GROUP FARE

SUMMARY: U.S.-PORTUGUESE DELS MET IN WASHINGTON ON JULY 14-15 TO DISCUSS TAP/GOP DESIRE FOR NON-AFFINITY GROUP FARE. PORTUGUESE ARGUED PERSUASIVELY THAT THEIR INTENTION WAS SIMPLY TO PRESERVE THE ETHNIC TRAFFIC NOW MOVING, NOT ALWAYS LEGALLY, ON AFFINITY GROUP FARE, AND OFFERED VARIOUS RESTRICTIONS TO ACHIEVE THAT END, BUT U.S. DEL RESPONDED THAT NON-AFFINITY GROUP FARE CONTINUES POSE SEVERE CONCEPTUAL PROBLEMS. IN VIEW CURRENT EFFORT TO PERSUADE IATA TO PRODUCE SIGNIFICANTLY CHANGED FARE PACKAGE ALONG LINES MORE ACCEPTABLE TO CAB, USG COULD NOT ACCEPT FARE PORTUGUESE PROPOSED. AT SAME TIME, U.S. SIDE EXPRESSED WILLINGNESS TO CONSIDER, WITH NO ASSURANCE

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OF APPROVAL, INDIVIDUAL PROMOTIONAL FARE WITH ADVANCE

PURCHASE PROVISION FOR CURRENT SEASON, I.E., TO OCTOBER 31. PORTUGUESE DEL WAS DISAPPOINTED BUT INDICATED FILING ALONG LINES U.S. SUGGESTION WOULD BE MADE. ISSUE OF TWA ACCESS TO LAJES MILITARY FACILITY DISCUSSED INFORMALLY. END SUMMARY.

1. U.S.-PORTUGUESE DELS MET JULY 14-15 AT PORTUGUESE REQUEST AND HELD FRIENDLY AND HELPFUL DISCUSSION OF TAP NON-AFFINITY GROUP FARE PROPOSAL UNDER SUSPENSION AND INVESTIGATION BY CAB. PORTUGUESE SIDE STRESSED TAP PROBLEM WAS TO PROVIDE SERVICE FOR U.S. RESIDENT PORTUGUESE ETHNIC MARKET UNDER BONA FIDE CONDITIONS. PORTUGUESE DEL FURTHER ALLEGED U.S. RESIDENT PORTUGUESE ETHNIC TRAVELERS COULD NOT USE ADVANCE PAYMENT EXCURSION (APEX) FARES BECAUSE OF UNWILLINGNESS OR INABILITY TO PLAN LONG PERIODS IN ADVANCE. TAP REP SUGGESTED NON-AFFINITY GROUP FARE WOULD AVOID PROBLEM OF ILLEGITIMATE AFFINITY GROUPS AND WOULD PERMIT MAINTENANCE OF IMPORTANT SECTOR OF TAP MARKET. PORTUGUESE EMPHASIZED IMPORTANCE OF RESOLVING FARE PROBLEM SINCE AN ESTIMATED 50 PERCENT OF TAP PASSENGERS, MOSTLY ETHNIC PORTUGUESE, NOW TRAVEL ON AFFINITY GROUP FARES.

2. PORTUGUESE ARGUED THAT INTRODUCTION OF NON-AFFINITY GROUP FARE IN CANADA ON MAY 1, 1976, HAD SO FAR SHOWN NO EVIDENCE OF DIVERTING TRAFFIC FROM HIGHER FARES. WITH SOME U.S. PRODDING, PORTUGUESE DELEGATION SUGGESTED CONDITIONING NON-AFFINITY GROUP FARE BY ESTABLISHING A MINIMUM STAY OF 28 DAYS; PROHIBITING STOPOVERS; REQUIRING ADVANCE PURCHASE OF 21 DAYS; AND PROHIBITING ADVERTISING. FURTHER, U.S. WOULD APPROVE ONLY ON AN EXPERIMENTAL BASIS.

3. U.S. CHAIRMAN REITERATED U.S. VIEW THAT TAP PROPOSAL LIKELY DIVERT TRAVEL FROM HIGHER FARES, THUS DILUTING REVENUES. EVEN MORE IMPORTANT, IT WOULD ALMOST INEVITABLY RESULT IN PROLIFERATION OF NON-AFFINITY GROUP FARES TO OTHER EUROPEAN GATEWAY COUNTRIES.

4. NOTING THAT INDIVIDUAL FARE WOULD NOT HAVE SAME LIMITED OFFICIAL USE

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CONCEPTUAL PROBLEMS, U.S. SIDE CONCLUDED THAT IN VIEW U.S. CONVICTION THAT NON-AFFINITY GROUP FARE CONTRARY TO THRUST OF U.S. RATE STRUCTURE PHILOSOPHY AND STRATEGY, PORTUGUESE PROPOSAL COULD NOT BE ACCEPTED, EVEN WITH PROPOSED RESTRICTIONS. U.S. SIDE SUGGESTED IT COULD GIVE SERIOUS CONSIDERATION TO INDIVIDUAL PROMOTIONAL FARE DESIGNED MEET PORTUGUESE OBJECTIONS TO APEX. THIS COULD INVOLVE REDUCING REQUIRED ADVANCE PURCHASE PERIOD,

PERHAPS TO 45 DAYS, AND INCLUDING RESTRICTIONS PORTUGUESE PROPOSED ACCEPT FOR NON-AFFINITY GROUP FARE. HOWEVER, APPROVAL WOULD EXPIRE OCTOBER 31, 1976, AND USG WOULD EXPECT TAP TO FIND LONGER RANGE SOLUTION IN IATA CONTEXT.

5. U.S. CHAIRMAN STRESSED THAT SUGGESTION WAS OFFERED

IN SPIRIT OF ACCOMMODATING TAP NEED TO CONTINUE SERVICE TO ETHNIC MARKET BUT THAT WHILE SERIOUS CONSIDERATION WOULD BE GIVEN TO A FILING ALONG ABOVE LINES, NO PRIOR ASSURANCE OF APPROVAL COULD BE GIVEN.

6. PORTUGUESE DEL CHAIRMAN DUARTE VAZ-PINTO EXPRESSED DISAPPOINTMENT AT U.S. ATTITUDE SINCE ECONOMIC SITUATION IN PORTUGAL WAS SERIOUS. PORTUGUESE CAB MEMBER RUIZ VERES ADDED THAT U.S. SUGGESTION--PARTICULARLY, PROVISION OF 45 DAY ADVANCE PURCHASE--WAS HARD TO ACCEPT. VERES SAID PORTUGUESE WOULD FILE INDIVIDUAL FARE BUT FELT 28 DAY ADVANCE PURCHASE WAS MOST THAT COULD BE ACCEPTED.

7. U.S. CHAIRMAN CAUTIONED THAT 28 DAY ADVANCE PURCHASE WOULD BE CONSIDERABLY MORE DIFFICULT FOR U.S. TO ACCEPT THAN 45 DAYS, BUT HE ADDED THAT PORTUGUESE FILING WOULD BE CAREFULLY CONSIDERED IN ANY CASE.

8. IN INFORMAL PRIVATE DISCUSSION, U.S. CHAIRMAN NOTED THAT IT WAS MORE DIFFICULT FOR U.S. TO BE ACCOMMODATING WHEN U.S. WAS UNABLE ENJOY ONE OF THE FRUITS OF AVIATION BILATERAL WITH PORTUGAL, I.E., ACCESS TO LAJES. VERES SAID HE WOULD RAISE MATTER IN LISBON, BUT WARNED THAT PORTUGUESE MILITARY ARGUED STRONGLY THAT THIS WOULD OPEN UP LAJES TO THIRD COUNTRY FLIGHTS. ROBINSON LIMITED OFFICIAL USE

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